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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of

FEDERAL-STATE JOINT BOARD ON
UNIVERSAL SERVICE

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) CC Docket No. 96-45
)

To: The Commission

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REPLY COMMENTS

ETEX Telephone Cooperative, Inc., by its attorney, hereby submits comments in the above-captioned matter in response to comments filed in the matter of the Notice of Proposed Rule Making released by the Commission on March 8, 1996 (FCC 96-93) (hereafter the "NPRM").

1. ETEX Telephone Cooperative, Inc. ("ETEX") is a cooperative, formed under the laws of the state of Texas, and owned by its subscriber members. ETEX is a communications common carrier which provides local exchange service in seven counties in Texas. ETEX is the "carrier of last resort" providing service to residential and business customers in its service territory, much of which is very rural in nature. ETEX serves approximately 11,600 subscribers at a density of about six access lines per mile of plant. Because many of its customers are in remote locations, ETEX's costs to provide service are high. Small local exchange carriers ("LECs") such as ETEX are directly impacted by the

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Commission's universal service policies and the policy changes proposed in conformance with the Telecommunications Act of 1996 ("1996 Act").

2. As a LEC with above-average costs, ETEX is a recipient of universal service funds ("USF"). The funds have been essential to ETEX's ability to provide service to subscribers in rural areas and yet maintain reasonably moderate local rate levels. Availability of the funds are crucial to ETEX's infrastructure planning and investment decisions as it continues to fulfill its obligations as a carrier of last resort.

3. ETEX also participates in the dial equipment minute ("DEM") weighting assistance program to support its local switching costs. ETEX's costs per-access-line are higher than those of larger LECs. In order to continue to provide competitive local exchange network services, ETEX must update and maintain its switching and signaling capabilities in a manner compatible with evolution in the urban markets. To date, the DEM weighting assistance program has been essential to ETEX's objective in this regard.

4. Nevertheless, ETEX supports those Comments filed in this proceeding by ITCs, Inc., advocating a revised USF mechanism that is usage sensitive, and that eliminates all other types of support such as long term support, DEM weighting and RIC charges (but which maintains Lifeline and Link-Up programs). ETEX also joins ITCs, Inc. in opposing the Census Block Group Plan as an impractical and unproductive method of promoting universal services in rural areas.

5. The plan detailed in the comments of ITCs, Inc. is consistent with the objectives the 1996 Act and should be adopted in furtherance of the Commission's duty to re-examine its universal service policies. ITCs, Inc.'s proposed "Per Minute of Use Universal Service Plan" demands consideration because it satisfies the need for USF support of small LECs, whether they are "cost study" or "average schedule" carriers.

6. The rural safeguards of the 1996 Act direct the Commission to prevent rural areas, and particularly those served by small LECs, from losing the support necessary to maintain universal service in their high cost areas as competition is implemented pursuant to the 1996 Act. The Commission's creation of the new Joint Board partially implements its obligation under Section 214(e) of the 1996 Act, regarding universal support policies in rural and high cost areas and areas served by the defined group of "Rural Telephone Companies." The policies are intended to provide customers in rural and high cost areas with access to advanced telecommunications services levels at rates deemed "comparable" to urban rates for such services. The Act specifically addresses the need for special consideration of the circumstances of small local exchange carriers serving rural and high cost areas.

7. These special considerations are addressed in the "Per Minute of Use Universal Service Plan" proposed by ITCs, Inc. The proposal fully satisfies the requirements of the 1996 Act for maintaining a rural infrastructure that provides access to advanced services at comparable rates.

8. ETEX's concurrence and ultimate participation in the proposed program will advance the company's capability of providing to its customers access to advanced technology. The capital and operating costs of service in ETEX's high cost service area will be managed so as to achieve rate comparability in keeping with the mandates of the 1996 Act. Because ETEX is a "Rural Telephone Company" as defined in the 1996 Act, and because it has no alternative source of revenues to support its high operating costs, ETEX's subscribers are entitled to continuation of the USF program, as modified by the ITCs, Inc. proposal.

9. The plan set forth in the comments of ITCs, Inc. must be seriously considered by the Commission as a viable design for transformation of the USF program. The plan requires diligent study and testing, as warranted by the seriousness of USF issues to small telephone companies. Information from the extensive databases of the National Exchange Carriers Association should be incorporated in such studies to determine the impact of the plan on a sufficiently large statistical sampling of small telephone companies. Action by the Commission permitting additional time to complete such studies, and to verify the viability of the proposed system, is necessary and appropriate.

10. The arrangement proposed by ITCs, Inc. for advancement of universal services in rural areas is both a balanced and administratively efficient system, which will amply promote the public interest in access to universal services. The Commission

should adopt the proposed "Per Minute of Use Universal Service Plan" as a fair and simple catalyst to the adaptation of small telephone companies to the competitive environment created by the 1996 Act.

Respectfully submitted,

ETEX TELEPHONE COOPERATIVE, INC.

By:


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May 7, 1996

CERTIFICATE OF SERVICE

I, Paul Palmer, an employee in the law office of Lukas, McGowan, Nace & Gutierrez, hereby certify that I have, on this 7th day of March, 1996, had a copy of the foregoing Reply Comments delivered to the persons on the service list attached hereto.



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